

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2023
(Six Months Ended August 31, 2022)

[Japanese GAAP]

October 7, 2022

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Stock code: 2685

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for investors)

Note: The original disclosure in Japanese was released on October 7, 2022 at 15:30 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2023
(March 1, 2022 – August 31, 2022)

(1) Consolidated results of operations (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 31, 2022	112,578	21.6	5,570	781.6	6,157	296.5	3,893	767.3
Six months ended Aug. 31, 2021	92,611	16.3	631	-	1,552	-	448	-

Note: Comprehensive income Six months ended Aug. 31, 2022: 5,472 million yen (up 774.4%)

Six months ended Aug. 31, 2021: 625 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2022	85.96	-
Six months ended Aug. 31, 2021	9.93	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2022	108,451	59,333	53.4
As of Feb. 28, 2022	97,957	54,963	55.1

Reference: Shareholders' equity As of Aug. 31, 2022: 57,952 million yen As of Feb. 28, 2022: 53,963 million yen

Note: At the end of the previous fiscal year, the provisional accounting treatment for the business combination was finalized, and, for the fiscal year ended February 2022, the initial allocation of acquisition costs due to the provisional finalization of accounting treatment was significantly revised. The reported amounts reflect these changes.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2022	-	25.00	-	30.00	55.00
Fiscal year ending Feb. 28, 2023	-	25.00	-	-	-
Fiscal year ending Feb. 28, 2023 (forecast)	-	-	-	30.00	55.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	230,000	14.1	10,000	52.3	10,000	22.5	6,300	28.1	139.23

Note: Revision to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 10 for further information.

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Aug. 31, 2022:	48,800,000 shares	As of Feb. 28, 2022:	48,800,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2022:	3,448,795 shares	As of Feb. 28, 2022:	3,552,459 shares
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3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2022:	45,294,805 shares	Six months ended Aug. 31, 2021:	45,212,230 shares
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Note 1: The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

Forward-looking statements in this report are based on currently available information and certain assumptions judged to be reasonable. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 regarding preconditions or other related matters for the forecast shown above.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Consolidated results

(Million yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	YoY change (Amount)	YoY change (%)
Net sales	92,611	112,578	19,967	21.6%
Operating profit	631	5,570	4,938	781.6%
Ordinary profit	1,552	6,157	4,604	296.5%
Net income attributable to owners of the parent	448	3,893	3,444	767.3%

During the first half (March 1 - August 31, 2022) of the current fiscal year, the spread of the COVID-19 pandemic stabilized in the first quarter and restrictions on the movement of people were eased there more outings and normalization of personal consumption. However, the number of customers briefly declined because of an increase in the number of Omicron cases that started in July. Supply chain disruptions caused by lockdowns in Shanghai in May and June also had a negative effect on sales. In addition, the economic outlook remained uncertain due to the rapid depreciation of the yen and soaring resource and energy prices caused by the Russia-Ukraine crisis.

The Adastria Group is taking numerous actions based on the following growth strategies in its medium-term management plan.

Growth Strategy I Multi-Brand, Multi-Category	Grouping of brands according to roles for improved profitability and growth
Growth Strategy II Digital Customer Interactions and Services	Accelerate growth of our EC site and create a fun EC community
Growth Strategy III Glocal	Develop models in Mainland China and cultivate Southeast Asia
Growth Strategy IV New Business	Establish a food and beverage business and create new appeal

Consolidated net sales increased 21.6% year-on-year to 112,578 million yen, operating profit increased 781.6% to 5,570 million yen, ordinary profit increased 296.5% to 6,157 million yen, and net income attributable to owners of the parent increased 767.3% to 3,893 million yen.

As a result of Zetton, Inc. becoming a consolidated subsidiary in February 2022, Adastria is reporting the Apparel and Sundry Goods-related Business and Other (Food and Beverage Business) as separate business segments beginning with the current fiscal year.

Domestic sales in the Apparel and Sundry Goods-related business segment were supported by the continuation of the easing of restrictions on store operations, as well as by strong sales of spring and summer products due to favorable weather, product development in response to increased demand for outings after the easing of pandemic restrictions, and promotional measures such as TV commercials and point redemption. As a result, sales were up 15.7% year-on-year.

In the Other segment, sales increased due to the acquisition of Zetton, Inc., which operates a food and beverage business in line with Adastria's growth strategy.

As a part of our digital strategy, TV commercials and other initiatives were used to attract customers and increase awareness of Adastria's "Dot ST" e-commerce website. As a result, number of members of this website increased to 14.5 million, 900,000 more than at the end of the previous fiscal year. E-commerce sales increased 3.3% year-on-year as pace of sales growth was held down by the recovery demand for buying items at physical stores.

In Mainland China, sales were down 22.3% year-on-year because of lockdowns in response to the emergence of a new COVID-19 variant. Sales increased 5.0% in Hong Kong as a second quarter recovery and the addition of a new store offset the impact of pandemic restrictions in the first quarter. In Taiwan, sales were up 48.4% due to the success of a new brand. In the United States, sales rose 53.2% because of very strong demand for luxury

goods and a big increase in e-commerce sales. As a result, total overseas sales were up 27.4% and the overseas business was profitable in the first half. All overseas sales information is based on conversions to yen of sales in local currencies.

Although the depreciation of the yen and rising raw material price continues, the gross profit margin of the Apparel and Sundry Goods-related Business was basically unchanged from the same period in the previous fiscal year because we are supplying products at the right times, prices and volumes, holding down discount sales, and increasing the added value of our products. In addition, as the share of the food and beverage business increased due to the acquisition of Zetton, Inc. which is now a consolidated subsidiary, the gross profit margin increased 1.0 percentage point from one year earlier to 55.8%.

Selling, general, and administrative expenses, personnel expenses, and store leasing expenses, which had been held down due to store closures and shortened business hours in the previous fiscal year, increased. But sales recovered and business operations became more efficient. As a result, the SG&A to sales ratio improved by 3.3 percentage points from one year earlier to 50.8%, and operating profit significantly improved.

In addition, non-operating income included a subsidy of 182 million yen related to shortened operating hours caused by the pandemic and employment adjustment subsidies of 37 million yen as well as a foreign exchange gains of 460 million yen. On the other hand, a loss on valuation of derivatives of 106 million yen related to the withdrawal from the South Korean business was recorded as non-operating expenses.

Business segment performance was as follows.

1) Apparel and Sundry Goods-related Business

As a result of the above, sales were 107,610 million yen and segment profit was 5,869 million yen.

7 stores were added to this business because OPEN AND NATURAL Inc. became a consolidated subsidiary in the first quarter. In addition, we opened 39 stores (including 9 overseas) and closed 38 stores (including 3 overseas), resulting in a total of 1,431 stores (including 79 overseas) at the end of the first half of the current fiscal year.

2) Other (Food and Beverage Business)

Sales were 4,985 million yen and segment profit was 288 million yen.

The number of stores at the end of the first half was 78, a result of the increase of 73 stores due to the acquisition of Zetton, Inc. at the end of the previous fiscal year and opening of 3 stores and closing of 3 stores.

(2) Explanation of Financial Position

1) Balance sheet position

Total assets increased 10,493 million yen from as of February 28, 2022 to 108,451 million yen as of August 31, 2022. There were increases of 2,394 million yen in notes and accounts receivable-trade, 2,290 million yen in inventories, 5,078 million yen in other, net under property, plant and equipment, partly because of right-of-use assets, etc., resulting from the application of the new lease accounting standard (ASC No. 842), etc., by the U.S. subsidiary, and 551 million yen in goodwill.

Liabilities increased 6,123 million yen to 49,117 million yen. The provision of point card certificates decreased by 1,609 million yen due to the application of the accounting standard for revenue recognition, but there were increases of 2,454 million yen in notes and accounts payable-trade, 2,341 million yen in other under current liabilities, including contract liabilities arising from the adoption of the revenue recognition accounting standard and lease liabilities resulting from the application of the new lease accounting standard (ASC No. 842) by the U.S. subsidiary, etc., and 3,149 million yen in other under non-current liabilities, including lease liabilities resulting from the application of the new lease accounting standard (ASC No. 842) by the U.S. subsidiary, etc.

Net assets increased 4,370 million yen to 59,333 million yen. This was mainly due to increases of 2,348 million yen in retained earnings, 684 million yen in deferred gains or losses on hedges and 526 million yen in foreign

currency translation adjustment.

2) Cash flow position

Cash and cash equivalents (hereinafter “net cash”) as of August 31, 2022 amounted to 16,640 million yen, or 222 million yen less than as of February 28, 2022.

A summary of cash flows from each activity during the first half of the current fiscal year is as follows:

Cash flows from operating activities

Net cash provided by operating activities totaled 5,393 million yen (compared with 7,280 million yen used in the same period of the previous fiscal year). The main positive factors include net income before income taxes of 6,146 million yen and depreciation of 3,935 million yen. Main negative factors include an increase in trade receivables of 2,072 million yen and income taxes paid of 2,843 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 3,734 million yen (compared with 3,448 million yen used in the same period of the previous fiscal year). This was mainly due to the payments of 2,712 million yen for the purchase of property, plant and equipment and 1,614 million yen for the purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities totaled 2,491 million yen (compared with 1,593 million yen used in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of 521 million yen, cash dividends paid of 1,369 million yen and repayments of lease obligations of 493 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the consolidated forecast for the current fiscal year that was announced on April 13, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY2/22 (As of Feb. 28, 2022)	Second quarter of FY2/23 (As of Aug. 31, 2022)
Assets		
Current assets		
Cash and deposits	16,976	16,671
Notes and accounts receivable-trade	9,878	12,272
Inventories	19,259	21,550
Other	2,126	3,125
Allowance for doubtful accounts	(71)	(85)
Total current assets	48,169	53,534
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	4,404	4,893
Other, net	11,600	16,679
Total property, plant and equipment	16,005	21,573
Intangible assets		
Goodwill	922	1,473
Other	9,914	10,371
Total intangible assets	10,836	11,844
Investments and other assets		
Investment securities	1,003	1,130
Leasehold and guarantee deposits	15,426	14,066
Other	6,866	6,645
Allowance for doubtful accounts	(351)	(342)
Total investments and other assets	22,945	21,499
Total non-current assets	49,787	54,916
Total assets	97,957	108,451
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,282	13,737
Electronically recorded obligations-operating	6,620	6,885
Short-term borrowings	95	100
Current portion of long-term borrowings	455	395
Accounts payable-other	10,449	11,129
Income taxes payable	3,247	2,370
Provision for bonuses	2,179	2,430
Provision for point card certificates	1,728	119
Other provisions	446	482
Other	1,910	4,251
Total current liabilities	38,416	41,903
Non-current liabilities		
Long-term borrowings	896	705
Provisions	322	-
Other	3,358	6,508
Total non-current liabilities	4,577	7,213
Total liabilities	42,994	49,117

(Million yen)

	FY2/22 (As of Feb. 28, 2022)	Second quarter of FY2/23 (As of Aug. 31, 2022)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	51,114	53,463
Treasury shares	(7,636)	(7,285)
Total shareholders' equity	53,351	56,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	87
Deferred gains or losses on hedges	45	729
Foreign currency translation adjustment	558	1,084
Total accumulated other comprehensive income	611	1,901
Non-controlling interests	1,000	1,381
Total net assets	54,963	59,333
Total liabilities and net assets	97,957	108,451

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Six-month Period)**

(Million yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Net sales	92,611	112,578
Cost of sales	41,833	49,797
Gross profit	50,777	62,780
Selling, general and administrative expenses	50,146	57,210
Operating profit	631	5,570
Non-operating income		
Foreign exchange gains	139	460
Subsidy income	269	182
Subsidies for employment adjustment	451	37
Other	199	140
Total non-operating income	1,060	819
Non-operating expenses		
Interest expenses	71	85
Loss on valuation of derivatives	23	106
Other	44	40
Total non-operating expenses	139	232
Ordinary profit	1,552	6,157
Extraordinary income		
Gain on liquidation of subsidiaries and associates	81	-
Total extraordinary income	81	-
Extraordinary losses		
Impairment loss	179	10
Total extraordinary losses	179	10
Net income before income taxes	1,454	6,146
Income taxes-current	598	1,962
Income taxes-deferred	406	1
Total income taxes	1,005	1,963
Net income	448	4,183
Net income (loss) attributable to non-controlling interests	(0)	289
Net income attributable to owners of the parent	448	3,893

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Million yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Net income	448	4,183
Other comprehensive income		
Valuation difference on available-for-sale securities	1	79
Deferred gains or losses on hedges	(28)	684
Foreign currency translation adjustment	204	526
Total other comprehensive income	177	1,289
Comprehensive income	625	5,472
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	626	5,091
Comprehensive income attributable to non-controlling interests	(0)	381

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Cash flows from operating activities		
Net income before income taxes	1,454	6,146
Depreciation	3,187	3,935
Impairment loss	179	10
Amortization of goodwill	29	121
Interest and dividend income	(8)	(6)
Interest expenses	71	85
Increase (decrease) in allowance for doubtful accounts	25	5
Increase (decrease) in provision for bonuses	(374)	242
Increase (decrease) in provision for point card certificates	78	(139)
Loss (gain) on liquidation of subsidiaries and associates	(81)	-
Decrease (increase) in trade receivables	795	(2,072)
Decrease (increase) in inventories	(2,149)	(1,690)
Increase (decrease) in trade payables	(421)	2,408
Increase (decrease) in accounts payable-other	(1,037)	(175)
Increase (decrease) in accrued consumption taxes	(4,592)	(59)
Other, net	(1,295)	(498)
Subtotal	(4,138)	8,314
Interest and dividends received	6	8
Interest paid	(71)	(85)
Income taxes paid	(3,077)	(2,843)
Net cash provided by (used in) operating activities	(7,280)	5,393
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,991)	(2,712)
Purchase of intangible assets	(1,443)	(1,614)
Purchase of investment securities	(201)	(20)
Payments of leasehold and guarantee deposits	(388)	(415)
Proceeds from refund of leasehold and guarantee deposits	597	1,890
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(839)
Other, net	(21)	(23)
Net cash provided by (used in) investing activities	(3,448)	(3,734)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	-	(165)
Proceeds from long-term borrowings	-	200
Repayments of long-term borrowings	-	(521)
Dividends paid	(1,141)	(1,369)
Purchase of treasury shares	(0)	(92)
Repayments of lease obligations	(451)	(493)
Other, net	-	(49)
Net cash provided by (used in) financing activities	(1,593)	(2,491)
Effect of exchange rate change on cash and cash equivalents	195	609
Net increase (decrease) in cash and cash equivalents	(12,127)	(222)
Cash and cash equivalents at beginning of period	24,082	16,863
Cash and cash equivalents at end of period	11,955	16,640

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in the Scope of Consolidation or Application of the Equity Method

Important changes in the scope of consolidation

Following the acquisition of shares in OPEN AND NATURAL Inc. through the Company's consolidated subsidiary BUZZWIT Co., Ltd. on March 31, 2022, OPEN AND NATURAL became a consolidated subsidiary (sub-subsidiary) from the first quarter of the current fiscal year. However, only the balance sheet of OPEN AND NATURAL was included in the consolidation as the deemed acquisition date was April 30, 2022 and the period to date of the closure of quarterly consolidated accounts did not exceed three months. The statement of income of this company has been included in the consolidation since the second quarter of the current fiscal year.

Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. In prior years, to prepare for the redemption of the points granted on sales to customers, the Adastria Group recorded a provision for point card certificates in an amount that reflects the performance of obligation related to the expected redemption of points in the future. The Company has changed to a method that recognizes the points granted as performance obligations, allocates the transaction price, and records it as contract liability.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment set forth in the proviso of Paragraph 84 of this standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year, was added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and then the new accounting policy was applied beginning with this amount of retained earnings.

As a result, compared with the previous accounting method, the application of the new standard resulted in reductions of 1,179 million yen in sales, 60 million yen in cost of sales, 1,119 million yen in selling, general and administrative expenses. However, there were no effect on operating profit, ordinary profit and net income attributable to owners of the parent. In addition, the new standard reduced retained earnings at the beginning of the first half by 114 million yen.

In accordance with the transitional treatment set forth in Paragraph 89 -2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method has not been carried out for the previous fiscal year.

Changes in valuation of inventories

The Company and certain consolidated subsidiaries previously valued its merchandise mainly at cost based on the specific identification method (the amount shown on the balance sheet was calculated by writing down the book value based on a decline in profitability). However, from the first quarter of the current fiscal year, the cost method has been changed to a cost method mainly based on the weighted average method (the value on the balance sheet is calculated by writing down the book value based on a decline in profitability).

The valuation method was changed in view of further globalization of the Group's business and taking the

opportunity of upgrade of its backbone IT system.

The effect of this change is insignificant.

Accounting for leases: Application of ASC No. 842 [Leases]

Foreign subsidiaries, that have adopted the U.S. accounting standards, have started applying US GAAP ASC No. 842, Leases (ASC No. 842) standard from the first quarter of the current fiscal year. The cumulative effect of the adoption of ASC No. 842 is recognized at the date of adoption and is an adjustment to retained earnings and lease liabilities related to the right-of-use assets at the beginning of the first quarter of the current fiscal year.

The effect of this change on profit in the first half of the current fiscal year is insignificant.

Application of the Accounting Standard for Measurement of Fair Value

The Company has applied the Accounting Standard for Measurement of Fair Value, etc. (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional treatment in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment Information

I. First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)

The Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise. There is no others segment because the levels of sales and earnings of other activities are insignificant.

II. First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)

1. Information related to net sales and profit or loss for each reportable segment

(Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
External sales	107,610	4,968	112,578	-	112,578
Inter-segment sales and transfers	0	17	18	(18)	-
Total	107,610	4,985	112,596	(18)	112,578
Segment profit	5,869	288	6,157	-	6,157

Notes: 1. "Other" represents the businesses which are not included in the reportable segment and mainly consists of Food and Beverage Business.

2. The amount of adjustment to segment profit is an adjustment to unrealised profit related to inter-segment transactions.

3. The segment profit is consistent with the ordinary profit of the Quarterly Consolidated Statement of Income.

4. The segment profit includes corporate expenses that are allocated to each reportable segment.

2. Information related to revisions for reportable segments

In prior years, there was no segment information because the Adastria Group had only the single reportable segment of planning and sales of clothing and related merchandise. There was no "other" segment because this information was immaterial. Beginning with the first quarter of the fiscal year ending in February 2023, segment information is presented because the importance of the food and beverage business within the Adastria Group has

increased.

Segment information for the first six months of the previous fiscal year that was prepared by using the same segment classification method used for the first six months of the current fiscal year is not presented because activities other than the planning and sales of clothing and related merchandise is immaterial.

In the first six months of the previous fiscal year, the planning and sales of clothing and related material was the only significant segment. As a result, segment information prepared by using the same segment classification method used for the first six months of the previous fiscal year is not presented.

3. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

Business Combinations

Finalization of provisional accounting treatment of business combination

In the first quarter, a provisional accounting treatment was used for the acquisition of OPEN AND NATURAL Inc., which has been completed on March 31, 2022. This treatment was finalized in the second quarter of the current fiscal year.

In the finalized accounting treatment, 280 million yen of the acquisition cost was allocated to other under intangible assets and 97 million yen to deferred tax liabilities. As a result, provisional goodwill of 854 million yen decreased 183 million yen to 670 million yen.

3. Supplementary Information

(1) Sales for Brands and Regions

Brand / region		First six months of FY2/23		YoY change (%)
		Sales (million yen)	Composition (%)	
	GLOBAL WORK	21,587	19.2	26.2
	niko and ...	14,442	12.8	15.7
	LOWRYS FARM	10,017	8.9	9.6
	studio CLIP	9,854	8.8	4.3
	LEPSIM	6,267	5.6	10.3
	BAYFLOW	4,845	4.3	13.5
	JEANASiS	4,707	4.2	2.0
	LAKOLE	3,541	3.1	79.4
	Others	15,664	13.9	13.8
Total (Adastria)		90,927	80.8	15.8
BUZZWIT Co., Ltd. (Note 3)		4,085	3.6	21.2
ELEMENT RULE Co., Ltd.		4,929	4.4	7.6
Other consolidated subsidiaries		103	0.1	419.6
Total (Japan)		100,045	88.9	15.7
	Hong Kong	1,366	1.2	5.0
	Mainland China	869	0.8	(22.3)
	Taiwan	1,831	1.6	48.4
	USA	3,497	3.1	53.2
Total (Overseas)		7,565	6.7	27.4
Total (Apparel and Sundry Goods-related Business)		107,610	95.6	16.5
	Zetton, Inc. (Note 4)	4,683	4.2	-
	ADASTRIA eat Creations Co., Ltd.	284	0.2	36.6
Total (Food and Beverage Business)		4,968	4.4	2,287.3
Total (Group)		112,578	100.0	21.6

- Notes:
1. The number of stores is categorized by using brand operating divisions and geographic regions.
 2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.
 3. Sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.
 4. Sales of Zetton, Inc. include its consolidated subsidiary ZETTON, INC (USA Business).

(2) Sales for Merchandise Categories

Category	First six months of FY2/23		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	16,899	15.0	26.0
Lady's apparel (bottoms, tops)	69,362	61.6	17.4
Others	26,316	23.4	31.0
Total	112,578	100.0	21.6

- Notes:
1. The others category includes additions to the provision for point card certificates and other items.
 2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.

(3) Number of Stores

Brand / region		Number of stores						As of Aug. 31, 2022
		As of Feb. 28, 2022	First six months of FY2/23				Increase /decrease	
			Increase (Note 3)	Opened	Changed	Closed		
	GLOBAL WORK	206	-	1	-	(1)	-	206
	niko and ...	144	-	2	-	(1)	1	145
	LOWRYS FARM	136	-	1	-	(3)	(2)	134
	studio CLIP	184	-	2	-	(6)	(4)	180
	LEPSIM	120	-	1	-	(4)	(3)	117
	BAYFLOW	60	-	1	-	-	1	61
	JEANASiS	73	-	1	-	(2)	(1)	72
	LAKOLE	47	-	6	-	-	6	53
	Others	275	-	6	-	(9)	(3)	272
	Total (Adastria)	1,245	-	21	-	(26)	(5)	1,240
	BUZZWIT Co., Ltd. (Note 4)	18	7	4	-	(2)	9	27
	ELEMENT RULE Co., Ltd.	84	-	4	-	(7)	(3)	81
	Other consolidated subsidiaries	3	-	1	-	-	1	4
	Total (Japan)	1,350	7	30	-	(35)	2	1,352
	Hong Kong	14	-	1	-	-	1	15
	Mainland China	6	-	1	-	-	1	7
	Taiwan	43	-	7	-	(2)	5	48
	USA	10	-	-	-	(1)	(1)	9
	Total (Overseas)	73	-	9	-	(3)	6	79
	Total (Apparel and Sundry Goods-related Business)	1,423	7	39	-	(38)	8	1,431
	Zetton, Inc. (Note 5)	-	73	3	-	(3)	73	73
	ADASTRIA eat Creations Co., Ltd.	5	-	-	-	-	-	5
	Total (Food and Beverage Business)	5	73	3	-	(3)	73	78
	Total (Group)	1,428	80	42	-	(41)	81	1,509

- Notes:
1. The number of stores is categorized by using brand operating divisions and geographic regions.
 2. The number of stores includes e-commerce websites of other companies and e-commerce websites of Adastria.
 3. "Increase" represents the increase in the number of stores resulting from the consolidation of Zetton, Inc. at the end of FY2/22 and OPEN AND NATURAL Inc. during the first quarter of FY2/23.
 4. The number of stores of BUZZWIT Co., Ltd. includes its consolidated subsidiary OPEN AND NATURAL Inc.
 5. The number of stores of Zetton, Inc. includes its consolidated subsidiary ZETTON, INC (USA Business).

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.